

**TESTIMONY OF
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SAINT FRANCIS HOSPITAL & MEDICAL CENTER
BEFORE THE FINANCE, REVENUE & BONDING COMMITTEE
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SB 368, An Act Phasing Out the Hospital Tax

Saint Francis Hospital and Medical Center supports passage of **SB 368: An Act Phasing Out the Hospital Tax** as the phase out of this tax restores resources needed by hospitals to meet the medical needs of the patients we serve.

In 2011, Connecticut balanced the state budget by imposing a hospital tax that was tailored to prevent harm to hospital operations and patient care. In a time of intense budget pressure, the state created a tax on hospitals that returned money to the hospitals and used federal matching dollars from the tax to cover other non-medical state expenses. This tax helped the state balance its budget and hospitals on aggregate were kept whole. Unfortunately the economic pressures on the state caused by sub-par economic growth, high legacy debt associated with state employees' and teachers' retirement funding as well as high state-wide unemployment resulted in a change to this tax policy.

The FY 2014-2015 biennium state budget continues taxing hospitals for \$350 million dollars each year but only returns \$249 million dollars to hospitals in FY2014 and \$115 million dollars to hospitals in FY2015. This \$336 million reduction in 2 years falls on top of the over \$100 million in reductions hospitals absorbed in FY13.

No other single industry in Connecticut has been asked to carry this level of state budget reduction in so short a timeframe.

The Connecticut hospitals are a vital part of the state economic system creating over \$20.2 billion in economic value for Connecticut and over 110,000 employees, 55,000 of

whom are employed by hospitals directly. Cuts of the magnitude described above mean that hospitals have fewer resources to bring to bear on an ever increasing demand for services. Equally important the need to modernize existing buildings, add electronic medical records and recruit increasingly, scarce health care personnel is severely hampered by these tax payments.

Despite the loss of \$336 million dollars in this state budget cycle, Connecticut's hospitals have done extraordinary things to minimize the impact on patient care but the negative effects of these revenue losses are increasingly real.

To date Connecticut hospitals have eliminated more than 1400 jobs, reduced staff salaries and benefits, centralized some services and postponed investments in technology and infrastructure.

Saint Francis itself has made some difficult choices in our effort to minimize the impact of this state payment reduction on patient care. Some of these choices include:

- The elimination of nearly 100 positions, all of which exceeded the new minimum wage increase of \$10.10 recently proposed for Connecticut.
- The elimination of a wage increase for all of our employees in FY2013 and the reduction of other health and non-health benefit payments;
- Reduction of 50% in the amount of community support provided for a wide range of local community activities;
- Postponement or curtailing of new service initiatives along with consolidation of service sites where appropriate.

More importantly, in an era where we hear a great deal about the rise of the low wage breadwinner, hospitals represent some of our local communities' biggest employers and pay salaries that exceed the current state minimum wage. In fact, most hospital

positions pay more than the current state and national proposals that would raise the minimum wage to \$10.10 an hour.

Clearly, it is often much less expensive as public policy to preserve well paying jobs than recruit them to the state as was just demonstrated by the recent UTC tax credit announcement.

It is true that hospitals, unlike many other businesses, can't move out of state – but they can fail. If this happens, the State of Connecticut and its citizens will lose vital access to necessary health care resources.

We urge you to support this legislation and help hospitals thrive in the State of Connecticut.

Thank you for your consideration of our position.